UNITED
NATIONS

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Economic and Social
Council

Distr.
GENERAL

E/CN.4/1995/25
16 January 1995

ENGLISH
Original: ENGLISH

COMMISSION ON HUMAN RIGHTS
Fifty-first session
Item 7 of the provisional agenda

QUESTION OF THE REALIZATION IN ALL COUNTRIES OF THE ECONOMIC, SOCIAL AND CULTURAL RIGHTS CONTAINED IN THE UNIVERSAL DECLARATION OF HUMAN RIGHTS AND IN THE INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS, AND STUDY OF SPECIAL PROBLEMS WHICH THE DEVELOPING COUNTRIES FACE IN THEIR EFFORTS TO ACHIEVE THESE HUMAN RIGHTS, INCLUDING PROBLEMS RELATED TO THE RIGHT TO ENJOY AN ADEQUATE STANDARD OF LIVING; FOREIGN DEBT, ECONOMIC ADJUSTMENT POLICIES AND THEIR EFFECTS ON THE FULL ENJOYMENT OF HUMAN RIGHTS AND, IN PARTICULAR, ON THE IMPLEMENTATION OF THE RIGHT TO DEVELOPMENT

Report of the Secretary-General prepared in pursuance of Commission on Human Rights resolution 1994/11

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Introduction

1. At its fiftieth session, the Commission on Human Rights, aware that the serious problem of foreign debt remains one of the most acute factors adversely affecting economic and social development and the living standards of the inhabitants in many developing countries, with serious effects of a social nature, concerned about the repercussions of structural adjustment programmes in the realization of economic, social and cultural rights and noting with regret the negative effects of the policies adopted to face situations of external debt on the enjoyment of economic, social and cultural rights, adopted resolution 1994/11 in which it, inter alia, stressed the importance of alleviating the debt and debt-service burdens of developing countries with debt problems in the framework of the realization of economic, social and cultural rights as well as the need to implement additional debt-reduction measures, including further cancellation or reduction of part of the official debt or debt-service, and the adoption of more urgent actions with regard to the commercial debt owed by developing countries.

2. In operative paragraph 6 of the resolution, the Commission requested the Secretary-General to submit, in a process of high-level consultations with heads of State or Government, heads of the multilateral financial institutions and specialized agencies, as well as intergovernmental and non-governmental organizations, a report to the Commission on Human Rights at its fifty-first session on the adequate measures to be implemented in order to find a durable solution to the debt crisis of developing countries so that they might fully enjoy all human rights.

3. In order to prepare for the high-level consultations requested in operative paragraph 6 of the resolution, the High Commissioner for Human Rights, on behalf of the Secretary-General, addressed a letter on 24 October 1994 to Ministers of Foreign Affairs and a letter, dated 1 December 1994, to heads of the multilateral financial institutions and specialized agencies, as well as intergovernmental and non-governmental organizations, inviting their comments and proposals on adequate measures to be implemented in order to find a durable solution to the debt crisis of developing countries so that they may fully enjoy all human rights.

4. Comments and proposals were received from Governments, United Nations specialized agencies, intergovernmental organizations and non-governmental organizations.

5. Comments and proposals were received from the head of State and Government of Cuba. In addition, comments and proposals were received from the Ministries of Foreign Affairs of the following Member States: Bangladesh, Ecuador, Egypt, Honduras, India, Indonesia, Mexico, Niger, Pakistan, South Africa, Turkey, Venezuela, Yugoslavia.

6. The Government of Burkina Faso informed the High Commissioner for Human Rights that the competent authorities of that country are presently examining the measures that could be taken with a view to finding a durable solution to the debt crisis of developing countries so that they may fully enjoy all human

rights. The results of these consultations at the national level will be communicated, as soon as possible, to the Secretary-General of the United Nations.

7. The following United Nations specialized agencies replied: World Health Organization and United Nations Industrial Development Organization.

8. The Director of the External Relations Division of GATT, replying on behalf of the Director-General, informed the High Commissioner for Human Rights that GATT had no relevant information to offer in regard to the subject-matter.

9. The following intergovernmental organization replied: South Centre.

10. The following non-governmental organizations replied: African Association of Education for Development, Afro-Asian Peoples' Solidarity Organization, American Association of Jurists, Center of Concern, Food First International Network (FIAN), International Confederation of Free Trade Unions (ICFTU), International Federation Terre des Hommes, International Union of Socialist Youth, Joint Conference Church and Development (GKKE), Organization of African Trade Union Unity (OATUU), OXFAM, Socialist International Women, World Alliance of Reformed Churches, World Federation of Trade Unions, World Young Women's Christian Association.

11. The present report contains a synthesis of the comments and proposals on the above subject received as of 23 December 1994 which could assist the Commission on Human Rights in its deliberations on the subject-matter. In order to supplement the information received under Commission resolution 1994/11, the present report also draws upon relevant information submitted under previous resolutions of the Commission on Human Rights on the same subject. 1/ The contents of the present report can be read in conjunction with the Comprehensive report of the Secretary-General prepared in pursuance of Commission on Human Rights resolution 1993/12 (E/CN.4/1994/17 and Add.1) on the repercussions and prospects of the debt crisis and adjustment

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1/ These include replies received in connection with Commission resolutions 1993/12 and 1993/22:

(a) Governments: Guatemala, Jordan, Morocco, Senegal, Zimbabwe;

(b) Intergovernmental organizations: League of Arab States;

(c) Non-governmental organizations: General Arab Women Federation, International Council for Adult Education, International Federation of University Women, Inter-Parliamentary Union, Regional Council on Human Rights in Asia, and Women's International League for Peace and Freedom;

(d) Other organizations: Arias Foundation for Peace and Human Progress, Asian Women's Human Rights Council, and Environmental Development Action in the Third World.

programmes on the effective enjoyment of economic, social and cultural rights of developing countries, submitted to the Commission at its fiftieth session.

12. Any additional comments and proposals which are received by the Secretary-General pursuant to his request will be compiled and submitted in addenda to this report.

I. SYNTHESIS OF COMMENTS AND PROPOSALS SUBMITTED BY GOVERNMENTS

A. Comments

13. Among the replies received, there is general recognition that the measures implemented so far are no longer sufficient and that an equitable and durable solution to the debt crisis and the resumption of development in a large number of developing countries require the implementation of comprehensive measures, at both national and international levels. A number of Governments emphasized that the debt strategy should take into account the growing socio-economic problems faced by the international community, such as poverty, unemployment and social marginalization, which constitute violations of human rights, and attach priority to the improvement of human conditions, including the standard of living, quality of life, health, food, education, income and employment, especially of the most vulnerable and low-income groups.

14. Among the replies received, there is general agreement that foreign indebtedness is one of the most pressing factors which still determines the economic and social development and the standard of living in many countries. A number of Governments reported that the foreign debt of developing countries, in particular of the least developed countries, has had a negative impact on their development efforts as a substantial amount of the national resources are being diverted for servicing and repaying these debts. The inability of these Governments to undertake investments in economic and social programmes has led to a decline in their incomes, an increase in unemployment, a drop in purchasing power, an increase in urban poverty and cuts in social budgetary allocations to the detriment of education, nutrition and public health, consequently affecting also the enjoyment of human rights by their populations, particularly of the poorest sectors.

15. Most Governments, in their replies, drew attention to the intimate link between economic development and the enjoyment of human rights and the danger posed by the problem of foreign debt to the conceptual values of democracy, to the proper enjoyment of all human rights and to national sovereignty. They pointed out that the experience of many developing countries indicates that the serious financial and economic problems faced by these countries are reflected in the political, social and cultural life of those countries whose Governments have contracted considerable debts with foreign financial bodies under the auspices of the International Monetary Fund and the World Bank. The devastating effects of the debt crisis has, for almost a decade, prevented the economic and social development of many developing countries, threatening the basic human rights and fundamental freedoms, including the right to development.

16. A number of Governments pointed to political instability and social upheaval in developing countries provoked by the debt burden and the implementation of structural adjustment programmes imposed by international banks and multilateral financial institutions. Pointing to the experience of some least developed countries in Africa, a number of Governments warned that such political destabilization and social disintegration could deteriorate into civil war or a political vacuum in the central Government, massive refugee flows across borders, South-North migration and famine. Some Governments warned that there is a high probability for such a situation to develop in heterogeneous societies.

17. A number of Governments, explicitly or implicitly, underlined that the problem of external debt cannot be resolved in isolation from the need for overall development and must, therefore, be addressed within the framework of the realization of the right to development. An assessment of the problem as well as the formulation and implementation of measures for an equitable and durable solution to the debt crisis must be guided by the fact that the right to development, as reaffirmed by the World Conference on Human Rights, is an inalienable human right and an integral part of fundamental human rights. Only then can the problem of foreign debt be dealt with in a way that will contribute to the global consolidation and promotion of human rights.

18. Most Governments reiterated that the realization of the right to development requires that States must cooperate with each other in order to ensure development and to eliminate the obstacles to development. It also requires that efforts at the international level to promote and protect human rights must be accompanied by efforts to establish a new international economic order based on sovereign equality, interdependence, mutual respect and cooperation between all States as well as the encouragement, observance and realization of all human rights.

19. Many Governments indicated that while the various policy approaches and measures adopted so far by the creditors to address the problem of external debt, including the Brady plan, the Paris Club, the Toronto Terms, the Houston Terms, the Trinidad Terms and structural adjustment programmes of international financial institutions, have contributed to alleviating the problem of external debt in some developing countries, they have proven to be ineffective in most of the developing countries, particularly the least developed countries. While such measures may have postponed a payments crisis, they have been implemented at the cost of extraordinary economic and social sacrifices and do not constitute a solution. In this connection, many Governments pointed to the growing number of developing countries that, since the middle of the 1980s, have begun to face serious difficulties in meeting their debt-servicing obligations.

20. A number of Governments reported that, despite repeated rescheduling, many developing countries have not been successful in fully implementing their debt-service obligations scheduled over several years. The severe difficulties that many developing countries face in servicing the debt has resulted in the persistent accumulation of arrears, which are unpaid debt-service obligations, by a growing number of developing countries reflecting that the debt service is beyond their capacity to pay. An important aspect of the debt problem of many developing countries with large

debt-servicing arrears is the extent of debt owed to multilateral creditors, which now represents a sizeable proportion of total debt-service payments. Since the status of "preferred creditors" enjoyed by the international financial institutions does not permit the rescheduling, reduction or cancellation of multilateral debt, an increasingly larger portion of total debt-service payments is directed to meet the debt-service requirements of multilateral creditors. Given the limited resources available for debt-service obligations to multilateral creditors, meeting the debt-service obligations to multilateral creditors could only be accomplished by incurring even larger arrears to bilateral and private creditors. In recent years, there has also been a rapid growth in arrears of debt-service owed to the international financial institutions reflecting the intensification of the debt burden of many heavily indebted developing countries.

21. A number of Governments drew attention to the negative impact of foreign indebtedness on new financial inflows which has contributed to further hampering the development efforts of heavily indebted developing countries. Developing countries with large arrears have ceased to be eligible for development loans and trade financing has frequently stopped altogether. Some Governments of least developed countries indicated that despite reform measures undertaken by them under the Structural Adjustment Facility and the Enhanced Structural Adjustment Facility arrangements with the IMF, there had not been the expected improvement in the ODA level or in debt relief. The "overhang" of foreign debt has also constrained inflows of capital in the form of foreign investments.

22. Comments received from Governments also indicate that there are other developing countries with serious debt problems which, nevertheless, do not have arrears on their debt-service payments. Some Governments reported that they are meeting their debt-service obligations only at a heavy price in terms of their economic and social development.

23. Most Governments pointed to the continued growth of the total external debt of developing countries estimated at over US$ 1,770 billion for 1993, 15 times the figure for 1970, and with it the burden of debt servicing, constituting a major obstacle to economic and social development. At the end of 1992, the total debt stock of developing countries represented 60 per cent of their combined GNP.

24. Many Governments expressed serious concern about the rapid rise in multilateral debt, in particular that owed by developing countries to the World Bank, the International Monetary Fund and the regional development banks. Between 1982 and 1992, multilateral debt had multiplied more than threefold from US$ 98 billion to US$ 304 billion, representing 18 per cent of the total debt of these countries. In the case of Africa, debts owed to international financial institutions amounted to 23 per cent of the total African debt. One Government (Honduras) reported that its multilateral debt accounted for 60 per cent of its total official foreign debt. Between 1992 and 1994, the servicing of multilateral debt represented 22 per cent of total debt-service payments of the most indebted countries.

25. Concern was also expressed about the net transfer of financial resources from developing to developed countries as well as to the international

financial institutions. The increasing debt-service payments have exercised a significant effect on the net transfer of foreign resources and developing countries now pay back more in the form of debt servicing than they receive in loans contributing to the growing income gap between developed countries and developing countries.

26. Many Governments indicated that the burden of debt of developing countries and, in particular, that of the least developed countries is aggravated by an unfavourable international economic environment. It was pointed out that the several facets of the external economic environment extend beyond the relationships between borrowers and lenders and include questions relating to declining commodity prices and earnings, the rise of protectionism in the markets of developed countries, the growing constraints on aid budgets and external resource flows of various kinds, the heightened fluctuations of exchange rates and rising international interest rates. Some Governments drew attention to the negative impact sanctions have had on their access to financial and trade markets. One Government emphasized the economic and social problems of countries suffering under the pressure of international sanctions and the strains faced by them in their efforts to service their foreign debt regularly and to provide the resources indispensable for their development. Such difficulties had made it impossible for that country to participate actively in the deliberations of international forums dealing with these issues. It was pointed out that heavily indebted developing countries are even more vulnerable to external pressure and intervention in the internal economic affairs of their country, endangering their national sovereignty.

27. Many Governments pointed to the structural adjustment programmes and the conditionalities prescribed by the international financial institutions. These have resulted in severe economic contractions and harmful social repercussions, reflected in declining output, rising unemployment and declining per capita incomes. While in some cases structural adjustment programmes have led to an improvement in certain economic indicators, they have not in any significant manner promoted economic growth nor brought about the changes in economic structures that are necessary to avoid future debt problems. Some Governments pointed out that the lack of sufficient external financial support to permit adjustment to occur without choking economic growth, the absence of equity in prescriptions for structural adjustment and the doctrinaire belief in the efficacy of market forces and monetarist policies all combined to reinforce inequalities and aggravate poverty.

28. Many Governments underlined that little had been done by the developed countries and the international financial institutions to reverse this situation and to create a just and equitable system of economic and financial relations which fully respond to the present requirements of the world economy and the need for economic growth and development of the developing countries. The measures imposed so far had shifted responsibility for debt payments, in an unequal and unjust manner, to the developing countries and on the poorest sectors of their populations.

29. A number of Governments recognized the importance of correcting structural distortions in the economies of developing countries and adopting appropriate macroeconomic policies in order to restore economic growth and to meet social objectives. Some Governments indicated that the lack of

diversification of production and the focus, in many developing countries, on one or two primarily agricultural products expose them to a high-risk margin. Reference was also made to the lack of strong infrastructure, low standard of local importers and the poor performance and efficiency of commercial institutions which have contributed to a decline in direct foreign investments. A few Governments reported on various measures they have undertaken, including those aimed at improving social welfare, improving public services and modernizing the State, encouraging foreign investments and private sector activities, increasing productivity and production, reducing inflation and ensuring economic stability. It was reported, however, that the structural reforms undertaken by them in the 1980s had been undermined by an inappropriate approach towards structural adjustment and conditionalities prescribed by the international financial institutions. In this connection, it was considered important that the developing countries themselves play an effective part in designing the character and content of a policy framework aimed at preventing recurrence of debt problems. Many Governments underlined that there must be recognition of the sovereign right of each State to determine its own national policies and programmes, in accordance with its own priorities and without any external interference.

30. There is general recognition, in the replies received, that to be effective, structural reforms and growth-oriented socio-economic policies at the national level must be supported by international action. Most Governments underlined the need for the international community to create a more favourable international economic environment.

B. Proposals

31. There was general recognition that the problem of external debt is of an economic, political, social and historical nature and as such cannot be resolved through an exclusive focus on the technicalities of the debt problem alone but must involve a global approach. The essence of a sound scenario for the future must necessarily be the link between debt, development and human rights, particularly the right to development.

32. A number of Governments underlined the importance of cooperation between developed and developing countries and, in this regard, emphasized the need to strengthen the existing multilateral economic processes. They pointed out that the continued growth of markets in goods and services, the expansion of global credit, including credit on concessional terms, and the development and dissemination of technology on a global basis were predicated on preserving the multilateral framework for international economic cooperation. They also underlined that protecting the environment and achieving sustainable development requires concerted international action, within the multilateral framework, in diverse areas, including the transfer of environmentally sound technology.

33. An essential feature of multilateral economic cooperation is an equitable and durable solution to the debt crisis so that developing countries may fully enjoy all human rights. In this connection, a number of Governments emphasized the need to uphold the principle of national sovereignty and the principle of shared responsibility between creditor and debtor countries when formulating and implementing measures at the international level.

34. Many Governments, implicitly or explicitly, recognized the need for measures to alleviate the debt burden as intermediate steps towards a durable solution to the debt crisis. The measures proposed by various Governments ranged from substantial debt reduction to debt cancellation of all categories of debt including commercial, bilateral and multilateral debts, as an alternative to repeated debt rescheduling. Some Governments reiterated the proposal for a once-and-for-all debt settlement endorsed by the Ministerial Meeting of Non-Aligned Countries on debt and development, held in Jakarta in August 1994. The Meeting had called for a global reduction of an average of 70 per cent of the debt of developing countries. They emphasized, however, that within this overall framework of once-and-for-all debt settlement, debt reduction for individual countries must be approached on a genuine case-by-case basis so that the most appropriate policies are adopted for each country. In order to ensure that such a once-and-for-all debt settlement leads to the restoration of credit-worthiness of debtor countries and the achievement of a reasonable rate of economic growth, the final settlement of debt and net flows of financial resources on appropriate terms must be worked out as integral components of a comprehensive external financing package.

35. Some Governments stated that the reduction of multilateral debt to international financial institutions will not, as has been argued, impair the credit standing of these multilateral financial institutions on the capital market and consequently to less favourable terms of lending. They pointed out that the reputation of multilateral institutions on the international markets depends not on the security of outstanding loans but on capital guarantees from its members. However, in order to avoid jeopardizing the credit rating of multilateral institutions, they proposed that measures such as the use of accumulated bank reserves, sales of IMF gold, new issues of special drawing rights and the conversion of debts into equity investments be considered when implementing debt reduction.

36. A number of Governments underlined, however, that debt reduction, whatever its magnitude, or even debt cancellation, would not by themselves lead to economic growth and development. Additional measures, at the national and international levels, to prevent recurrent crises of foreign debt would be necessary to enable developing countries to achieve sustainable development and enjoy human rights. They include access to financing on reasonable terms as well as access to international markets, both of which are necessary if developing countries implementing structural socio-economic reform programmes are to effect this transition smoothly and are to pursue outward-oriented trade and development strategies.

37. Many Governments recommended that the lending policies of the international financial credit institutions be modified in the following ways:

(a) It should be recognized that adjustment needs to be stretched over a longer period of time;

(b) Adjustment programmes must be determined within each country in response to local needs, particularly those of the vulnerable groups in society, and be designed and implemented so as to avoid adverse distributional effects;

(c) The recent trend towards declining multilateral lending to developing countries and net negative resource flows should be reversed and multilateral lending substantially enhanced, in particular, through concessional windows such as the International Development Association;

(d) The trend towards policy-based lending by international financial institutions which is subject to wide-ranging conditionalities should be reversed.

38. Many Governments also suggested that the international credit markets should continue to provide an assured supply of long-term credit, in particular for those developing countries which have not benefited from foreign investment inflows and private capital flows in general.

39. The need for an increased flow of development assistance was also emphasized. In this regard, it was urged that OECD countries, inter alia, ensure full disbursement of 0.7 per cent of their GNP as ODA at the earliest time; provide debt relief in general and in line with the Programme of Action for the Least Developed Countries; augment development assistance that will take into consideration the need to alleviate the debt burden and the social and development needs of the developing countries; and ensure the timely disbursement of development assistance and the matching of commitment and disbursement.

40. A number of Governments also underlined that the maintenance of an open global economy depends critically on an equitable, secure, non-discriminatory multilateral trading system which is of prime importance for the expansion of world trade and enhanced economic prospects for all countries. They pointed out that, whereas developing countries are engaged in a series of economic reforms and opening up their economies, access to markets in the developed world continues to be constrained by various trade restrictions. This, they stated, has serious implications both for sustainable economic growth and social development in the developing countries as well as for the process of economic reform itself. An equitable and durable solution to the debt crisis facing developing countries, therefore, also requires an international economic environment where they can exert their competitiveness through access to markets and environmentally sound technology.

41. Some Governments emphasized the importance of strengthening South-South cooperation in order to resolve the problem of external debt and to stabilize the price of primary commodities at a higher level. One Government proposed that a planning authority for the African continent be established to formulate a comprehensive strategy in all sectors through the preparation of future medium- and long-term plans and to supervise the implementation of development projects in accordance with the established plans.

42. The planning authority would consist of experts appointed by the African countries and by the donor countries. International institutions could, if necessary, also participate. The planning authority would undertake negotiations with the donor countries with a view to establishing Funds that would be owned and supervised by the African countries themselves. The proposed initial capital would be determined in the light of the total debt

servicing due, the value of the annual official development aid provided by each donor country and any additional funding. The Funds would act as a depository for the profits accruing from profit-making projects. Prior agreement would be reached on the percentage of profits to be allocated to the donor and to African countries on the understanding that part of the profits will be channelled back into the Funds to finance new projects or to develop existing ones.

43. A number of Governments underlined that the global extent and political character of the debt crisis required a genuine political dialogue between creditor countries and debtor countries based on the principle of shared responsibility. Many Governments were of the view that the problem of foreign debt should be discussed within the framework of the United Nations whose principal function is to safeguard international peace and security, which are intrinsically linked with development. The importance of the continued consideration of the issue in the United Nations General Assembly was emphasized. Some Governments urged the Secretary-General of the United Nations to initiate a process of dialogue with a view to achieving common agreement on a global, equitable and durable solution to the debt crisis, under the auspices of the United Nations, with the full and equal participation of all Member States. A number of Governments underlined that such a process, undertaken within the framework of the United Nations, should also help to initiate a dialogue aimed at restructuring international economic relations on a more just and equitable basis. Such an approach would enable greater progress to be made on the problem of foreign debt and meet the legitimate concerns of the developing countries most affected by the crisis.

II. SYNTHESIS OF COMMENTS AND PROPOSALS SUBMITTED BY THE UNITED NATIONS SPECIALIZED AGENCIES

44. The World Health Organization and the United Nations Industrial Development Organization indicated that they have undertaken measures to alleviate the debt burden of developing countries. UNIDO reported that in a resolution on external debt and industrial development, its General Conference at its fifth session had requested the Director-General to ensure that in the planning, formulation and implementation of its activities the debt problems of developing countries be considered in connection with their priorities; to improve the present methods of industrial financing and apply, within the sphere of its competence, innovative approaches and proposals for projects that aim at attenuating, inter alia, the negative effects of external debt on industrial development; and to promote financial contributions to the Industrial Development Fund to rehabilitate and increase the competitiveness of industry of the highly indebted developing countries. The Director-General was also requested to report on the implementation of that resolution to the sixth session of the General Conference.

45. Accordingly, in the report submitted, the Director-General of that organization outlined the various activities undertaken by the organization in regard to the request contained in the resolution. The report indicated that its technical cooperation activities in developing countries serve to alleviate the burden of external debt in various ways, both directly and indirectly.

46. It reported that a direct impact assessment is made in the case of import-oriented projects, whose output generates foreign exchange earnings, part of which may be used to service the external debt. Similarly, the promotion of import-substitution industrial projects leads to indirect savings of foreign exchange. Many developing countries, however - in particular in Sub-Saharan Africa - continue to be highly dependent on imported inputs of raw materials, intermediate and capital goods and replacements parts, thus perpetuating the need to raise external finance. In this connection, the organization assists such countries in establishing competitive production structures in various industrial sectors, thus contributing both to sustainable industrial development and reduction of impact of external debt.

47. It also reported that it provides several specialized services which have a direct bearing on a country's debt-servicing capacity. These include quality control, standardization and metrology which have crucial impact on the successful marketing of industrial goods for export, not only in the global market, but also at regional and subregional levels.

48. At the micro level, the organization's programme on enterprise restructuring provides technical guidance and support to improve efficiency and techno-economic viability of major State-owned industrial enterprises, many of which carry substantial external debt. In the view of the organization, stemming the flow of losses from such enterprises by liquidating production operations that are no longer financially viable enables the freeing of additional funds for debt servicing, while the privatization of viable State-owned industrial enterprises offers potential for debt-conversion schemes under which external debt obligations are, at least partially, converted into equity holdings in the privatized enterprises.

49. The organization also indicated that it assists developing countries in identifying the most cost-effective means of financing their industrial and technological development.

50. Among the important changes introduced in 1994 to its organizational structure was the creation of the Development Finance Institutions Unit within the Mobilization and Management of Financial Resources Division. The Unit promotes the implementation of programmes with financial support of multilateral financial institutions such as the World Bank Group and regional development banks.

51. The World Health Organization stated that it has, in the past, called attention to the potential adverse impact of structural adjustment policies on developing countries, if such policies discourage investment in the social sector. For instance, if investment in the essential elements of primary health care was discouraged, the population would be unable to enjoy the right to health.

52. Furthermore, following the adoption by the World Bank of a policy of increased investment in the social sector, including health, WHO has reached an agreement with the World Bank to support the health sector and improve the health status of populations of developing countries. In November 1994, the

first joint review meeting was held to discuss collaboration at the global, regional and national levels and concluded its work with a pledge to build a "true partnership in health" by combining the technical expertise and financial resources of the two organizations in support of health projects all over the developing world. The two institutions will initiate systematic exchanges of information and coordination at all levels and will regularly review the work of commonly supported health projects. One of the priorities emphasized at the meeting was the need to strengthen the capacity of Governments to become effective coordinators, as they have a critical role to play in the organization and the overall development of health programmes in their own countries.

III. SYNTHESIS OF COMMENTS AND PROPOSALS SUBMITTED BY INTERGOVERNMENTAL ORGANIZATIONS

53. The following is based on replies received from the League of Arab States and the South Centre. The South Centre also submitted the report of the Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt, which was assisted in its work by the South Centre, as well as the report of the Ministerial Meeting of Non-Aligned Countries on Debt and Development, held in Jakarta in August 1994.

A. Comments

54. The League of Arab States and the South Centre, in their replies, indicated that the issues of development and foreign debt are among the principal problems facing the developing countries. Since indebtedness has a close bearing on development, they cannot be viewed in isolation from each other. In this connection, the Council of the League of Arab States had, in September 1992, adopted a resolution approving the promulgation of an Arab Declaration on Development, Indebtedness and Human Rights. Repayment of foreign debt and debt servicing constitute a burden and divert large portions of the national income of developing countries away from development. A major conclusion of the Ministerial Meeting of the Non-Aligned Countries on Debt and Development, contained in its report, was that the severe problem of foreign debt remains a veritable impediment to economic growth in many countries. As countries are obliged to give priority to servicing their external debt, Governments have been forced to reduce essential public investments, particularly on physical and social infrastructure. The Meeting also noted that this has led to a sharp increase in poverty and to a decline in basic social indicators.

55. There was recognition that the measures taken so far to address the problem of foreign debt had failed to bring about a durable solution to the crisis in a manner leading to sustained economic and social development. The Ministerial Meeting of Non-Aligned Countries noted that debt-rescheduling arrangements, the preferred approach adopted by most creditors, have failed to alleviate the heavy debt-servicing burden. Rather, they have, in some instances, contributed to increasing the debt stock and hence to the postponement of the resolution of the debt problem, and the restoration of creditworthiness and external viability.

56. Both intergovernmental organizations proposed a number of measures that must be taken by the international community in order to find a durable solution to the debt crisis affecting many developing countries. The League of Arab States indicated the need to address the question within the framework of the Declaration on the Right to Development, which was reaffirmed by the World Conference on Human Rights as a universal and inalienable right and an integral part of fundamental human rights. It pointed out that, given the acute economic difficulties arising from foreign indebtedness, developing countries are unable to enjoy fundamental freedoms to the same extent as the major industrialized countries. States should cooperate with each other to ensure the realization of the right to development and to remove the obstacles impeding it.

57. The Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt found that the debt crisis, which had manifested itself in the early 1980s as a crisis primarily of the middle-income countries of Latin America, and as a crisis of private commercial debt, had continued in the 1990s, but in a different form. The debt crisis of the 1990s is one that mainly affects a large and increasing number of poor and low-income countries. It is also, in large part, a crisis of official debt - both bilateral and multilateral. Using the yardstick of the number of countries whose arrears exceeded 20 per cent, the Group found that there were 55-60 countries in 1992 which were facing extreme difficulties in servicing their debt. Included in this group are 32 least developed countries - two thirds of the countries designated as least developed by the United Nations. In addition, the Group noted that there are a significant number of other developing countries which continue to service their debt, but at a considerable economic and social cost to their development efforts.

58. The Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt also noted that arrears are a key indicator of the intensity of a developing country's debt burden because of their undisputed nature as actual facts. If a country is in arrears it is a clear sign that its debt service is beyond its capacity to pay. At the same time, the Group emphasized that, while using arrears as the key indicator of the debt burden of developing countries is appropriate, it should be kept in mind that there are developing countries with serious debt problems which, nevertheless, do not have arrears on their debt-service payments. These countries refuse to incur arrears, in order to assure continuing access to market borrowing. On the question of the continuing ability of developing countries to pay back their foreign debts, the Ministerial Meeting of the Non-Aligned Countries on Debt and Development concluded, "despite repeated attempts at debt rescheduling, and some debt relief, it is clear that the remaining debt stock of developing countries remains so high that the possibility of it being settled in full is virtually nil". In view of the above, the Meeting endorsed the need for substantial debt reduction, as opposed to repeated rescheduling, as the most appropriate approach for the resolution of the debt crisis of developing countries.

B. Proposals

59. The proposals submitted by the two intergovernmental organizations included both urgent measures to provide adequate relief to the countries whose debt problems have reached major dimensions as well as long-term measures to ensure the non-recurrence of critical debt problems.

60. Proposals made in regard to urgent measures ranged from debt reduction to cancellation of part or all outstanding foreign debt and/or interests.

61. With regard to debt reduction, the Ministerial Meeting of the Non-Aligned Countries on Debt and Development endorsed the following principles:

(a) A once-and-for-all arrangement for settling all outstanding debt;

(b) The application of debt reduction to all categories of debt, including multilateral debt; and

(c) The application of the above principles as well as an adequate degree of debt reduction for all countries, although within such an overall framework, there will necessarily be a case-by-case approach in dealing with the debt of individual countries.

62. The Meeting also endorsed the use of third parties to undertake an assessment of the debt problems of countries and to put forward recommendations on debt reduction, the inflow of new resources and the restoration of creditworthiness.

63. The Meeting agreed that debt-reduction efforts, if they are to result in the easing of the debt burden of the debt-distressed countries, must also include multilateral debt. It also agreed that debts incurred to the former Soviet Union for development purposes should be treated in the same manner as other debts. For some poor debt-distressed countries, however, a high proportion of whose debt to the former Soviet Union was incurred for military purchases during the Cold War era, there is a need for a special and separate consideration of such debts.

64. In addition to the above, a number of proposals were submitted on steps to be taken to prevent a recurrence of the debt crisis. The measures proposed cover three broad areas that underlay the causes of the debt crisis of 1980s: the access the developing countries have to external resources and the scale and terms on which these are available; the prudence and efficiency with which the developing countries use these resources; and the health and vitality of the global economic environment.

65. There was agreement, in the replies received, that the international community will need to increase the supply of concessional funds, particularly of assistance provided by international organizations and financial institutions. In this regard, the Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt, noting the difficulties relating to borrowing on private capital markets, emphasized the need to look more closely at the future framework for the channelling of official credits to developing countries. Since Government-to-Government credits are closely dependent

on bilateral aid and other relations, the focus must fall more on the multilateral financial institutions, particularly the World Bank and the regional development banks. In this regard, the Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt suggested that the following be taken into consideration in connection with any future reform or adaptation of these institutions:

(a) The need to design the resource base of the long-term international lending institutions with a view to matching the scale of the facilities available to needs;

(b) The need to enable these institutions to better adjust their lending terms to the requirements of countries in different situations. This, the Group, stated, may call for improvisations and modalities beyond those already in existence to help these institutions to play a fuller role in financing development;

(c) Arrangements to give the developing countries a stronger voice in the decision-making processes of these institutions.

66. The League of Arab States suggested the inclusion of considerations pertaining to the right to development in the lending policies of major international financial institutions, such as the World Bank and the International Monetary Fund, with emphasis on the importance of the transfer of advanced technology to developing countries.

67. On the question of domestic policies, the Ministerial Meeting of the Non-Aligned Countries on Debt and Development agreed on the need for sound economic policies to restore growth and external viability. It also noted the importance of each country designing its own structural adjustment programmes. Both intergovernmental organizations, in their replies, expressed concern about the conditionalities associated with the attempts to manage debt problems of indebted developing countries. In this connection, the League of Arab States suggested the formulation of criteria to prevent some countries from using human rights as a pretext to interfere in the internal affairs of developing countries or to suspend economic assistance to them. On the same subject, the Ministerial Meeting of the Non-Aligned Countries on Debt and Development stated that while conditionalities related to the use of resources are necessary and legitimate, and could also have a beneficial impact in so far as they impose discipline on the use of resources, it rejected the application of other political or ideologically motivated conditionalities.

68. In the replies received, there is also agreement on the need for the international community to create a favourable international economic environment in order to prevent future debt crises. In this regard, the Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt stated that "it is difficult, virtually impossible, to envisage a future world free of debt crises if there is persistent malaise in the global economy and the developing countries continue to be affected by the recessionary forces emanating from the world at large". The replies indicate that the following issues that are closely interwoven with the debt problem must be addressed by the international community: the improvement of the terms of trade of developing countries and the question of commodity markets; improved market access and

the reversal of protectionist trends; improved aid and other types of external resource flows; the workings of the international systems in the areas of money and finance; and the question of macroeconomic policies of the major industrialized countries.

69. In this connection, the Non-Aligned Movement Ad Hoc Advisory Group of Experts on Debt, noting that "a future world free of debt crisis is closely dependent on the resolution of the issues that have hitherto made up the North-South dialogue", underlined the importance of reactivating the dialogue.

IV. SYNTHESIS OF COMMENTS AND PROPOSALS SUBMITTED BY NON-GOVERNMENTAL ORGANIZATIONS

A. Comments

70. There was general recognition, in the replies received from non-governmental organizations, that foreign debt remains a major obstacle to human development and to the enjoyment of human rights, in particular the right to development and economic, social and cultural rights. Repayments of debt absorb several billion dollars annually, diverting on a massive scale the resources needed for investment in health, education, employment and economic recovery. One organization indicated that the world's poorest countries, particularly in Africa, are paying four times more to creditors in developed countries than for the health and education of their own citizens. Many considered that these transfers were unacceptable and should be stopped.

71. Many organizations pointed to the rapid growth over the past 10 years of multilateral debt owed to the IMF and the World Bank, which has become the largest single item of debt for many developing countries. Since the statutes of these institutions do not permit multilateral debt to be reduced, rescheduled or cancelled, it is being serviced by development aid which ought to be financing poverty reduction and long-term development. Consequently, the credit extended by these institutions, including the regional development banks, once seen as a solution, has become the principal problem of the debt crisis facing many developing countries and constitutes a major obstacle to the economic, social and environmental development of the countries concerned.

72. There was general recognition, in the replies received, that the policies and programmes adopted so far and successive initiatives had failed to resolve the problem of foreign debt of developing countries. There was general concern about the absence of interest on the part of the creditor countries to find an equitable and lasting solution to the problem.

73. It was pointed out by some non-governmental organizations that an equitable and durable solution to the problem requires, first of all, an understanding of the causes that gave rise to the accelerated growth of debt in the 1980s. These included an indiscriminate supply of credit by transnational banks which had surplus liquidity, inflation, and a sudden and rapid increase in interest rates for credit on international markets. Interest rates applied to developing countries were far in excess of those prevailing on the international financial markets of the day. Some organizations also referred to the practice of adding the interest owed by

countries falling behind in their payments to the capital, resulting in interest being charged on the interest. They pointed out that this practice is illegal in certain countries.

74. Many organizations also indicated that structural inequities in the trade relationship between developed countries and the developing countries was an essential factor in the vast accumulation of debt by developing countries. A continued deterioration in the trade balance of developing countries resulting from unfavourable terms of trade on the international markets for their primary commodities, on which they are dependent for export earnings, and protectionist measures applied against their manufactured products in developed countries had compelled them to seek loans in order to meet their trade deficits. Foreign exchange was also urgently needed to pay for increasingly expensive imports from developed countries including manufactured goods, technology and even such basic items as food and medicine and on which many had become dependent as a result of development strategies oriented towards the external market pursued by them since the 1960s.

75. Most non-governmental organizations, in their replies, focused on the role of the international financial institutions and structural adjustment policies and programmes of the World Bank and the International Monetary Fund. Structural adjustment programmes, they recalled, were first proposed by the International Monetary Fund as a solution to the payment crisis facing many indebted developing countries. The focus on the international financial institutions was considered urgent in the light of the rapid rise in multilateral debt. Instead of constituting a solution, these policies had contributed to a further rise in the foreign debt of developing countries and had increased their dependence on the external environment. Moreover, concern was expressed about the increasing involvement of the international financial institutions in the economic policies of countries in a wide range of areas.

76. A number of organizations pointed out that the adoption of the "guiding principles" of the International Monetary Fund and the implementation of structural adjustment programmes are mandatory for any country seeking to renegotiate its debt or to obtain loans from international financial and credit markets. The "guiding principles" have been included in agreements reached with numerous countries within the framework of the so-called "strengthened debt strategy", advocated under the Brady Plan, and the "enhanced structural adjustment facility".

77. The two international financial institutions, they pointed out, had even failed to achieve the objectives set out in their own statutes which included the achievement of high levels of employment and real income worldwide. Principles of equity and social justice were ignored in the formulation and implementation of structural adjustment policies and programmes which were primarily conceived to enable debtor countries to generate sufficient foreign exchange through exports to meet their debt-servicing obligations. The application of tight monetary policies, designed to reduce inflation through high interest rates, has undermined investment and employment. The concentration on inflationary targets to the detriment of wider considerations such as poverty elimination and employment creation was considered to be short-sighted and has failed to provide a basis for long-term development.

78. A number of organizations recalled the main features of the structural adjustment programmes which include trade liberalization; massive retrenchment of public service workers; devaluation of national currencies; reduction of public expenditure on social sectors; removal or reduction of State subsidies, including food subsidies and government support to the rural sector; privatization of public enterprises and services; increased levels of direct and indirect taxation; transformation and commercialization of land; reform of labour relations and practices.

79. It was stated that the policies advocated by these institutions are unduly biased towards free-market solutions to economic problems rather than based upon a more considered assessment of the different options available to any country. Governments have generally accepted such recommendations because of their urgent need for extra public funds to pay for debt-servicing requirements and are, therefore, prepared to sell national assets even at a price well below their real value. There is very rarely a serious prior evaluation of alternative possibilities, of the social and economic consequences or of the appropriate regulatory framework for implementation.

80. A number of non-governmental organizations described the negative effects of structural adjustment policies and programmes and their adverse consequences on the enjoyment of human rights including, in particular, economic, social and cultural rights and the right to development as well as internationally recognized labour rights such as those ensured in ILO Conventions Freedom of Association and Protection of the Right to Organize (No. 87) and Right to Organize and Collective Bargaining (No. 98). Many organizations were of the view that the policies and principles of the conditionalities attached to these programmes constituted a major obstacle to the realization of the right to development. They pointed, in particular, to the erosion of national sovereignty and the ability of developing country Governments to determine their own development goals.

81. Many organizations indicated that the implementation of structural adjustment programmes has been detrimental to the development of the internal economy on which a majority of people are dependent for their livelihood. Cuts in public expenditure have caused enormous economic contractions and investment in production has sharply dropped. The social costs of such contraction are compounded by the premature removal of trade barriers in developing countries and cuts in subsidies which have prematurely exposed local industries to unequal competition from large transnational corporations and the destruction of local industries in many countries. In the agricultural sector, small producers, often without access to credit or technical assistance, are expected to compete in an unequal international market dominated by cheap, often subsidized food exports from the developed countries. The export promotion drive has, in many cases, been based on the dismantling of workers' rights and the rapid and unsustainable extraction of natural resources. Moreover, the overemphasis on export production has led to a decline in the production of food crops, with negative consequences for food self-sufficiency and food security. Rising food prices and removal or reduction of food subsidies have severely affected the landless poor in the rural areas and the poor urban population.

82. Many organizations pointed out that the costs of the kind of adjustment advocated by the international financial institutions are unequally distributed, affecting primarily the poorest, disadvantaged and most vulnerable groups in society. In this connection, particular reference was made to peasants, workers, indigenous people, artisanal fisherfolk, women and children. A number of organizations referred to the growing concentration of wealth, on the one hand, and the expansion of poverty, on the other, both at the national and global levels. Citing figures from the UNDP Human Development Report 1992, some organizations pointed to the continued growth of poverty, in both absolute and relative terms. In Latin America and the Caribbean, for instance, the number of poor had risen from 41 per cent of the overall population in 1980 to 62 per cent in 1992.

83. Many organizations also pointed to the negative impact of the conditionalities attached to the programmes on workers. In Latin America and the Caribbean, for instance, while per capita consumption in the employer's sector increased by 16 per cent, it fell by 25 per cent in the employees sector. In Chile, which is presented as a model by the IMF, the share of the national income received by the poorest 20 per cent of the population fell from 7.6 per cent in 1968 to 3.5 per cent in 1983. During the same period, the share of the wealthiest 20 per cent, increased from 44.5 per cent to 61 per cent. The removal of measures aimed at protecting local agriculture and industry had resulted in factory and farm closures and subsequently to the rise in unemployment and landlessness. In some cases, such measures had led to the collapse of whole economic sectors.

84. Many organizations also expressed concern about the informalization of the economy, the increasing workload on women in particular and the erosion or removal of workers' rights to negotiate wages and conditions. In this connection, attention was drawn to references made in many structural adjustment programmes to increasing labour market flexibility. In practice, this has been interpreted to mean reforms to collective bargaining legislation to weaken the right to strike and limitations on the right to organize unions, the removal of employer obligations for social security and changes in employment contracts to reduce job security and to make it easier to hire and fire. Some organizations pointed out that the World Bank has, in several cases, provided guidance as to the choice of consultants to advise Governments on new labour legislation. It was stated that in taking such action, the World Bank has almost without exception failed to draw upon the expertise of the International Labour Organisation despite the fact that, as the United Nations specialized agency on labour questions, ILO has the established competence in this area.

85. Some organizations representing workers around the world underlined that experience has shown that a strong and stable system of labour relations is necessary for successful development. Furthermore, equity in the labour market is essential to building a constituency for change and growth. They pointed out that independent trade unions have a vital role in assuring both equity and stability and this role must be recognized by the IMF and the World Bank.

86. It was stated that women have been particularly affected by the deregulation of labour markets, erosion of social welfare provisions and

declining expenditures on health and education. The erosion of health expenditure has increased the burdens they carry as carers, while falling real wages and family income and rising unemployment have forced women into multiple employment in the informal sector. The erosion of the educational infrastructure has, in particular, led to a decline in the levels of attendance among girls. Some organizations pointed to an increase in prostitution and trafficking in women and children.

87. A number of organizations considered that overall, the implementation of structural adjustment programmes of the international financial institutions has resulted in a considerable rise in social inequalities, unemployment, poverty, illiteracy, malnutrition and hunger. Some organizations were of the view that these policies and programmes deprived a great majority of the people of developing countries of even the core content of basic economic and social rights including, inter alia, the right to work, the right to social security, the right to food, education, housing and health.

88. Another major concern of many organizations related to the increasing damage caused to the environment as a result of the structural adjustment programmes. Under pressure to earn the necessary foreign exchange to meet their debt-servicing obligations, indebted countries are having to over-exploit their country's natural resources such as the rain forest and to resort to indiscriminate logging for export or to open up grazing land for cattle or to plant export crops.

89. Many also pointed to the net flow of financial resources from developing countries to developed countries, including also to the international financial institutions. Some organizations stated that one main reason for the failure of the economic adjustment programmes in much of the developing countries, particularly in sub-Saharan Africa, is the lack of resources needed for them to function effectively. IMF and World Bank programmes provide a limited amount of assistance which cannot compensate for the massive outflow of debt servicing and which themselves must be paid for.

90. Many expressed concern about the negative impact of privatization and the undue emphasis on market forces on both the national economy of developing countries as well as on the poorest sectors of the population and underlined the need to consider much more positively the role of the State. They pointed out that an examination of the historical record of development, whether in the industrialized countries or in the newly industrializing countries, showed the key contribution made by active government policies ranging from human resources development, especially education, to the use of tariff and subsidies to assist infant industries into a position where they are able to compete successfully in international markets. Other examples of the central role of the State included the provision of facilities for a sustainable rate of population growth, protection of the environment and provision of adequate infrastructure as a basis for raising productivity in the rural sector. There was also general agreement that the State must continue to play an important role in the provision of social services, particularly for the most disadvantaged and vulnerable groups in society.

91. There was general recognition that the structural adjustment programmes have failed in both economic and social terms, and have resulted not in a

reduction, but often in an increase of the foreign debt of developing countries. An international conference on "Rethinking Bretton Woods", held in Washington in June 1994, concluded that the programmes are ineffective, inequitable and unfair. Structural adjustment programmes are ineffective because countries are expected to adjust as if they could do so in a vacuum. Most of these countries are vulnerable to external factors beyond their control and beyond the reach of adjustment policies. Moreover, they neglect the asymmetry in the international adjustment process and include contractionary prescriptions. As a result, structural adjustment impedes the country's ability to grow in an environmentally sustainable manner, meet the needs of its people, and service its debts. They are inequitable because they tend to open the markets of adjusting countries prematurely to an increase in imports. They are unfair because (a) they do not take into consideration the concerns and the voices of all the interested parties in the countries, particularly the poor; (b) the resources available through the World Bank and the IMF are inadequate to the task of restructuring simultaneously the more than 40 economies that have accepted them; and (c) weighted voting in the World Bank and the IMF ensures that the countries with the greatest say in setting institutional priorities are not the ones that will need to follow those policies.

92. A number of organizations attributed the failure of structural adjustment policies and programmes to the absence of democracy, transparency and accountability in the management and structure of the international financial institutions. They pointed out that decision-making within these institutions lies in the hands of only five of the major developed countries holding the majority of quotas. In addition, a single country may block certain important decisions. Consequently, only a small group of economically powerful countries determines, formulates and imposes economic policy guidelines, including those related to foreign debt and structural adjustment policies, on the developing countries. They also drew attention to the absence of popular participation from formulation to practical implementation of adjustment policies and programmes and at all levels of decision-making. Agreements concluded between the IMF and debtor countries are conducted without any consultation with the population that ultimately bears the brunt of the agreement. Moreover, it was pointed out, the international financial institutions act independently of the United Nations and grant the major bodies and agencies of the system virtually no part in their decision-making.

93. Many non-governmental organizations expressed concern about the fact that the policies and programmes related to structural adjustment at the national level are determined outside the country without the participation and approval of the people or national parliaments and often with little or no consultations with the Governments concerned. It was stated that, in fact, the conditions imposed by the international financial institutions mandate economic choices in production and technological development that are at the expense of policies that promote economic and social justice for countries implementing them and their populations. Many organizations considered that the imposition of policies and programmes on indebted developing country Governments and peoples deprives them of the exercise of their right to self-determination, constitutes a violation of national sovereignty and endangers their very independence. Moreover, the absence of equity and social justice in the prescriptions of international financial institutions has resulted in

social and political upheavals threatening the stability and security of countries implementing them. Ultimately, many pointed out, the growing indebtedness of developing countries will render them even more vulnerable to political, economic, military and other forms of external pressure.

B. Proposals

94. There was general recognition that finding an equitable and durable solution to the debt crisis of developing countries requires urgent measures to relieve the debt burden of developing countries and to halt the decline in economic and social conditions providing the foundations for accelerated recovery, as well as fundamental reform of the international economic and financial systems.

95. The measures should be formulated and implemented in a manner that respects both individual and collective rights and promotes overall development in the countries where they are implemented and the enjoyment of human rights, in particular the right to development and economic, social and cultural rights. Many organizations emphasized that States have the primary responsibility to ensure the conditions necessary for the enjoyment of the right to development. An equitable and durable solution to the problem of foreign debt should be based on respect for national sovereignty and territorial integrity, including permanent sovereignty over natural wealth and resources; the rights of peoples to freely determine the objectives of authentic human development, to set priorities and decide on the means and methods of their achievement; and non-interference in the internal affairs of States. Decision-making procedures in the development process, at national and international levels, must embody the principles of participation, transparency and accountability. Many organizations underlined the responsibility of States, particularly the developed countries, to cooperate with each other in order to create a favourable international environment in which all human rights can be enjoyed.

96. A number of organizations underlined the need for an international and global agreement on the problem of foreign debt, based on the principle of shared responsibility. Some organizations indicated that existing international agreements should provide the framework for the formulation of adequate measures to find a durable solution to the debt crisis of developing countries. They mentioned, inter alia, the Charter of the United Nations, the international human rights instruments, the Declaration on the Right to Development, the international labour conventions, international development strategies adopted by the General Assembly and the conclusions of the Rio Summit.

97. As an urgent measure, a number of proposals were made with regard to relieving the debt burden of developing countries. There was general agreement that substantial debt reduction or cancellation of all or part of the debt of developing countries was an urgent priority. Many organizations argued for total and unconditional cancellation of all categories of foreign debt, particularly of the least developed countries, as well as of those countries implementing structural adjustment programmes. In this connection, one organization reported that a world congress of trade unions held in

November 1994, and in which representatives of over 300 million trade union members from all continents participated, had strongly advocated the immediate cancellation of all foreign debts of the developing countries. The congress had also urged that the World Summit for Social Development should agree on the full cancellation of the foreign debt of developing countries. The example of debt write-offs of the outstanding debts of some developing countries by certain creditor countries shows that such practical measures can be taken by all the major lenders. Some organizations warned that any delay in cancellation will only lead to a further acceleration of the flow of resources from the developing countries, worsening the overall development crisis and increasing social discontent.

98. The reasons extended by many organizations for debt cancellation included: the exorbitant interest rates that prevailed when the debts were contracted; the fact that much of the debt was contracted by military dictatorships: the huge sums that have already been paid in the form of debt servicing; the social and economic sacrifices made by many developing countries in complying with their debt-servicing obligations; and, in the case of many developing countries, particularly in Africa, the reality, acknowledged by donors and multilateral creditors alike, that the full debt cannot be repaid.

99. Many organizations also suggested that a total or partial cancellation of the debts of developing countries and debt reduction be undertaken on a selective basis. A broad principle which should guide such operations is that debt-service payments should be restricted to levels compatible with sustained improvement in human well-being, economic recovery and ability to pay. One organization proposed that debtors should be able to invoke the principle of rebus sic stantibus which stipulates that the obligation of debtors is released when compliance becomes impossible, very onerous or essentially different from when the debt was contracted. In addition, it underlined the need to recognize the exclusion of State liability for the debt contracted by a private individual in situations where there was no representative democracy. It was proposed that an independent body of international experts be established to examine the economic and financial reality and the legitimacy of the operations which gave rise to the debt and of certain clauses in the original contracts including interest rates, figures for costs and commissions, and cancellation of fictitious and/or illegal debts. In addition, it was proposed that a review be undertaken of current interest rates and the costs and commissions being paid in renegotiating the debt as well as a survey of the amounts reimbursed in relation to the original debt. A decision on whether to reduce or cancel debts should be based on the amount that has already been repaid in the form of interest, disproportionate costs and commissions. The remaining debt should benefit from a general moratorium.

100. With regard to official debt owed by developing countries, some organizations proposed, as an immediate measure, the implementation of the Trinidad Terms proposal, which remains unimplemented. It was pointed out, however, that even the implementation of the full Trinidad Terms would leave most countries with unsustainable debt burdens. They should, therefore, be seen only as a first step towards a comprehensive write-off of between 80 and 100 per cent of the entire debt stock of these countries. In addition, the

Trinidad Terms should be applied to a wider group of chronically indebted, highly impoverished lower middle-income countries which are currently excluded.

101. Within the Paris Club, some organizations proposed, an agreement should be reached: to write-off between 70 and 100 per cent of debt stock owed to Governments; to increase the amount of debt eligible for reduction and rescheduling; to widen eligibility criteria to include more countries; to establish debt-repayment ceilings compatible with social and economic recovery; and support on a more extensive scale for debt-for-development swaps with a view to financing national programmes aimed at achieving the targets for welfare improvement set by the World Summit for Children. It was also proposed that reform of the Paris Club be undertaken to enable the United Nations specialized agencies to be represented in the national consultative groups of donors which determine aid to individual countries and to exclude the IMF from debt-relief negotiations.

102. With regard to debt owed to commercial banks by countries in Latin America, in particular, it was suggested that efforts should be revitalized to reduce commercial debt stock through reduction measures which go beyond those envisaged in the Brady Plan. One organization proposed that banks be obliged by legal provisions, applied across all the OECD countries, to take part in debt-reduction agreements. The simple formula that banks should deduct debt service already received from the principal still outstanding would ensure that the banks make a fair contribution to paying for the costs of the debt crisis which resulted partially from their lending mistakes of the 1970s.

103. With regard to multilateral debt owed to the international financial institutions, many organizations suggested that the statutes of these institutions be amended to permit them to write off or reschedule payments on the debt. They called for a write-off of a substantial proportion of the debt owed to these institutions by heavily indebted developing countries. In the case of the IMF, it was proposed that a debt-reduction facility be created within the institution financed either by a sale of gold stocks or a large-scale increase in special drawing rights. Ultimately, a further increase in special drawing rights may be required, such that countries which have agreed to IMF programmes can be guaranteed an adequate inflow of resources to match their needs. Neither option, some organizations pointed out, would undermine the financial standing of the IMF or generate global inflationary pressures. Moreover, the use of IMF reserves to reduce debt would have no implications for the public expenditure of developed country Governments. In the case of the World Bank, a further increase in the allocations for the International Development Association (IDA) providing loans at a concessional rate for low-income members was proposed.

104. One organization proposed that the cancellation of debts should be managed by a committee, established under the auspices of the United Nations, in which the IMF, the World Bank, the United Nations specialized agencies, Governments and non-governmental organizations from developed and developing countries should be represented.

105. Some organizations encouraged the use of debt-for-development swaps in order to increase the resources made available for priority social investment. One organization suggested that where national plans exist for achieving the targets for human welfare improvement such as those agreed at the World Summit for Children or within WHO's framework "Health for all by the year 2000", these should form the basis for negotiation.

106. Some organizations proposed that the outstanding foreign debt of developing countries be set off against development assistance targets that have not been implemented. They also emphasized that the ODA target should now be fixed in terms of "net" financial flows, so that new loans do not have to be used to service the accumulated debts.

107. There was general agreement on the need for an alternative form of structural adjustment in order to ensure that developing countries do not revert back to levels of unsustainable foreign indebtedness. Some organizations underlined that structural adjustment should be a global undertaking and be implemented in developed countries as well. Many organizations underlined that the adjustment policies must be based on the recognition that development is a global, multidimensional, people-centred process and must be balanced with a concern for equity, emphasis on redistributive policies and respect for all human rights. The costs of adjustment should be shared in a more equitable and just manner, both inside developing countries and between developed and developing countries. Moreover, cultural diversity must be recognized, respected and preserved as a prerequisite for development. There must also be an inclusive process of participation and dialogue that guarantees a redistribution of power and resources to the poor, disadvantaged and vulnerable groups in society.

108. Many organizations underlined the need to formulate policies and undertake measures to develop the domestic market. These included an agricultural policy with greater allocation of resources for domestic food production and the provision of easier access to fertile land and irrigation by rural communities and their democratic management and control by rural communities; and fiscal and credit incentives for micro-enterprises and for small- and medium-sized enterprises. It was also proposed that resources be diverted from investment in the military industry and the arms trade to human development.

109. Most organizations proposed that the role of the State in economic activities be strengthened until the indigenous private sector is in a position to take over. They emphasized the importance of direct involvement of the State in the economy and of indirect involvement through the use of tariffs and subsidies to assist infant industries into a position where they are able to compete successfully in international markets. Active and selective intervention by the State was also considered necessary to promote the accumulation of capital in order to create a climate of confidence. Moreover, it was stated that State responsibility for the provision of essential social services must be retained and public investment in the social sectors must be reinstated, particularly in countries implementing structural adjustment programmes.

110. Many organizations underlined the need for measures to ensure the transparent and democratic management of the country's assets, along with measures to eliminate corruption. Reference was made, in particular, to the need for the strict observance of efficient management and accountability by managers of State enterprises. They also indicated that economic decisions should be made after wide consultation and with popular participation.

111. Particular emphasis was placed in a number of proposals on the need to strengthen the role of women in decision-making, ensure their equitable participation at all levels of the development process and to use equal rights legislation and affirmative active measures to achieve greater equity for women. Such action was considered to be essential not only on social grounds but to achieve economic development, particularly in the rural sector where women in many countries constitute the majority of the workforce and so need to be the primary beneficiaries of education and training programmes, special credit facilities and land reform measures.

112. Some organizations proposed that the orthodox structural adjustment programmes of the international financial institutions be replaced with the people-centred African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP), adopted by the African heads of State and Government at the OAU Summit, held in July 1989 in Addis Ababa.

113. In order for structural adjustment at the national level to be effective and sustainable, many organizations emphasized the need to create an equitable international financial and monetary system. In this connection, a number of proposals were made by the non-governmental organizations.

114. Many proposals related to restructuring the international financial institutions. The central focus was that the institutions must be more objective, democratic, accountable, transparent and more socially responsible in their method of work, management, formulation of policy recommendations and in their implementation.

115. It was stated that, given the failure of the World Bank-IMF structural adjustment policies to create a platform for poverty reduction and sustained economic growth, there was an urgent need to undertake a wide-ranging review of the objectives, method of work and management of these institutions. It was suggested that the purpose of the review should be to ensure that the policy advice provided and actions undertaken are fully able to meet the objectives of the IMF and the World Bank which, as specified in their statutes, is to achieve high levels of employment and real income worldwide. Particular mention was also made of the need to review the linkage between debt reduction and adherence to these policies. In the view of many organizations, the IMF should be consigned to a more limited advisory role in debt-relief negotiations. One organization proposed that the review be undertaken within the framework of the United Nations.

116. Many organizations called for the democratization of international financial institutions, opening them up to greater public scrutiny, transparency in their operations and greater accountability. In this connection, some organizations suggested that the weighted voting system be

replaced by a more democratic system. One organization suggested that the IMF should restore the ratio of the basic vote of all members to the total votes of all members which prevailed at the Fund's inception. It was also suggested that the Special Majority required on votes on key issues should not exceed 70 per cent of the votes and two thirds of the membership.

117. The development of civil society in the developing countries would, it was stated, be enhanced by greater openness and transparency. In this regard, it was proposed, as a starting-point, to require the IMF to publish its Letters of Intent with Governments before the conclusion of an agreement and the World Bank to publish its policy recommendations at a similarly early stage in adjustment negotiations. In the case of projects, virtually all documents should be released during the early planning phase; executive directors of the international financial institutions should be required to declare in advance to national legislators how they intended to vote on projects and adjustment programmes. They should also be required to report regularly to national legislatures.

118. A number of organizations emphasized the need for these institutions to undertake much broader consultations before making policy recommendations. It was suggested that the IMF broaden its article IV consultations beyond Finance Ministers and central banks to include other ministries and major sectors of civil society. They should also endeavour to consult all major economic interest groups and all social partners, particularly the trade unions, if they are to devise policies which are realistically applicable and which can muster support from the majority of the population. Without such support, experience has showed that adjustment measures will fail. Some organizations representing workers around the world emphasized that in making recommendations for labour markets in developing countries, the IMF and the World Bank should engage in prior consultations with the social partners and should rely upon the expertise of the ILO with its tradition of building tripartite support for changes in labour legislation. Furthermore, one organization representing 120 million workers in 124 countries and territories recommended that the World Bank should change the procurement guidelines for its projects to require all contractors to respect workers' rights, including freedom of association for trade unions, in order to be eligible to bid for tenders from the World Bank.

119. It was also suggested that the policy-making role of the IMF in developing countries be ended and its lending programmes halted. Many organizations stressed that the link between debt relief and compliance with structural adjustment programmes should be broken.

120. Moreover, it was proposed that developed countries should agree to a new allocation of special drawing rights as proposed by the Executive Director of the IMF. The distribution of SDRs should also be weighted heavily in favour of developing countries, especially severely indebted low-income countries. Without such an allocation, the foreign exchange reserves in these countries will force them to depress domestic demand, with inevitable consequences for human welfare, and limit the imports needed to accelerate recovery.

121. Many organizations underlined the need to integrate the two international financial institutions more effectively into the United Nations system and to

bring them under the supervision and control of the General Assembly. The World Bank, the IMF, their Boards of Governors, the IMF's Interim Committee and the Joint Development Committee should submit detailed public reports to ECOSOC and make spokespersons available for public questioning by representatives of ECOSOC and, when requested, by the General Assembly. Moreover, the management of the World Bank and the IMF should explain publicly their interpretation of international law applicable to their programmes, as well as its operational significance. These explanations should include their interpretations of their Recognition Agreements with the United Nations, of their own Articles of Agreement, and of their responsibilities with regard to helping their member States comply with their own treaty and Charter obligations. They should be willing to entertain well-founded alternative interpretations on these matters.

122. It was also proposed that United Nations specialized agencies assume a far greater policy role in designing and implementing adjustment policies. More immediately, the Committee on Economic, Social and Cultural Rights should assume responsibility for scrutinizing structural adjustment programmes and monitoring their impact on the human rights set out in the International Covenant on Economic, Social and Cultural Rights. Some suggested that, if necessary, the agreement concluded between the United Nations and the international financial institutions be revised in order to enable the United Nations and non-governmental organizations to examine the activities of these institutions.

123. Many organizations indicated that current approaches to conditionality are one-sided, inappropriate and in urgent need of reform. In this regard, it was stated that the World Bank should accept the legitimacy of a far wider range of adjustment reforms than are currently incorporated in structural adjustment programmes. In other words, an acknowledgement of diversity should replace the free-market monotheism which underpins current adjustment programmes. In this context, they proposed that United Nations specialized agencies, representative citizens' groups and Governments be involved in a genuine dialogue over adjustment. The dialogue should focus on developing expansionary policies designed to maximize employment and eradicate poverty. It should also establish specific and binding targets for enhancing the access of poor people to social sector provisions. Progress towards these targets should be closely monitored, and complaints investigated by appropriate United Nations bodies such as the Committee on Economic, Social and Cultural Rights.

124. Emphasis was also placed on the need for the IMF to reassess the bases for its policy recommendations at the macroeconomic level. An internationally coordinated growth strategy, based on active, expansionary and non-inflationary policies, is necessary to ensure sustainable development. This will require the adoption of reduced interest rates accompanied by fiscal expansionary measures, since generating higher economic growth will itself provide the resources to achieve a sustainable fiscal deficit over the long run.

125. Many also underlined the urgent need for reform of the international monetary system. In this connection, some organizations proposed that a global reference currency be established to replace the existing reserve

assets, in order to enable public authorities to shape the international monetary system in a more orderly and equitable form. Moreover, they proposed that measures be adopted to discourage international financial speculation. In this connection, it was suggested that the IMF, together with member Governments, should develop mechanisms to limit the destabilizing effects of capital flows and restore the relative predictability and stability of exchange rates. Some organizations underlined the need for a global tax on capital flows, as proposed by Nobel economics laureate James Tobin, which would reduce financial instability. This tax would require global coverage and a global network to be effective. Its receipts could be used to finance the United Nations system, provide environmental protection in least developed countries or selectively reduce their debts.

126. Some organizations underlined that the global economic role of transnational corporations, including financial institutions, deserves priority attention. In this connection, it was proposed that Governments cooperate to establish a regulatory mechanism to govern certain activities of transnational corporations. The mechanism should establish the rights and responsibilities of such companies and provide for enforcing them. First steps could include strengthening the United Nations Centre on Transnational Corporations or the creation of a joint OECD-UNCTAD commission to look into the problem.

127. Many organizations underlined the need for an equitable and just global trading system which ensures equitable and fair prices for goods and services of developing countries and the removal of protectionist measures in industrialized countries against products from developing countries. In this regard, the following proposals were made:

(a) Governments, non-governmental organizations and local organizations should act to ensure that the proposed World Trade Organization becomes an effective instrument for promoting trade that pays proper attention to the interests of all actors in international trade. Thus, it should promote stable primary commodity prices and food security, and facilitate the efforts of developing countries to diversify their economies;

(b) Trade negotiators should restore the principle of non-reciprocity of market access for the poorest and weakest countries which was effectively removed by the Uruguay Round of GATT;

(c) The World Trade Organization should promote South-South trade;

(d) The World Trade Organization should develop policies that halt the dumping of industrialized countries' subsidized surplus stocks;

(e) The World Trade Organization should eliminate arbitrary and discriminatory escalation of developed country tariffs vis-à-vis developing countries;

(f) The World Trade Organization should develop policies to stabilize income from commodities exports, starting with the Lomé Convention as a model;

(g) The Agreement on Trade-Related Intellectual Property should be interpreted to ensure that poor people and developing countries retain easy access to low-cost seeds and medicines and unrestricted access to indigenously developed seeds or medicines regardless of any subsequent patents and commercialization;

(h) Governments should cooperate to ensure that the World Trade Organization is more operationally integrated into the United Nations system. For example, representatives of relevant United Nations agencies should be represented on WTO working groups and the WTO should report to ECOSOC.

128. Some organizations proposed the inclusion of social clauses in all international trade agreements, particularly in the World Trade Organization. The social clause would stipulate that all members of the organization must maintain respect for workers' rights in order to enjoy the benefits of participation in the world trading system. A social clause would provide the stabilizing element needed to ensure the long-term success of an open trading system. One organization representing workers around the world suggested that the preparatory committee for the WTO needs urgently to initiate a work programme on the links between trade and international labour standards as a basis for the adoption of new provisions in trade agreements. Many organizations emphasized, however, that the social clauses should not be used by the developed countries as a protectionist measure against the developing countries.

129. Many organizations urged that aid levels be increased, on the basis of a timetable, to meet the agreed United Nations level of 0.7 per cent of GNP, with basic needs, especially education, made the primary beneficiary.

130. Many organizations also proposed that the United Nations General Assembly and the Economic and Social Council, in compliance with the objectives laid down in Article 55 and related Articles of the Charter, reactivate the international dialogue with a view to the adoption of a just and equitable international economic and financial order to promote all human rights and fundamental freedoms, including the right to development.